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INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 8840  
RUEHUL/AMEMBASSY SEOUL PRIORITY 2548  
RUEHGP/AMEMBASSY SINGAPORE PRIORITY 2937  
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RUEHCN/AMCONSUL CHENGDU PRIORITY 0838  
RUEHGX/AMCONSUL GUANGZHOU PRIORITY 9823  
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RUEHSH/AMCONSUL SHENYANG PRIORITY 3329  
RUEHIN/AIT TAIPEI PRIORITY 3923  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEAORC/US CUSTOMS AND BORDER PROTECTION WASHINGTON DC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 05 HONG KONG 002378

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STATE FOR EAP/CM AND NP/ECS  
USDOC FOR U/S MCCORMICK AND THAUSER, A/S JACKSON

E.O. 12958: DECL: 06/08/2031  
TAGS: [ETTC](#) [EBMGT](#) [BEXP](#) [PTER](#) [HK](#)  
SUBJECT: SUMMARY OF THE ELEVENTH ROUND OF U.S.-HONG KONG  
BILATERAL EXPORT CONTROL DISCUSSIONS

REF: HONG KONG 2317

Classified By: SIMON SCHUCHAT, E/P CHIEF. REASONS: 1.4 (B,D,E).

¶1. (C) ON 16-18 MAY 2006, THE HONG KONG TRADE AND INDUSTRY DEPARTMENT (TID) AND CUSTOMS AND EXCISE (CUSTOMS) DEPARTMENT HOSTED THE U.S. DEPARTMENT OF COMMERCE BUREAU OF INDUSTRY AND SECURITY (BIS) FOR THE 11TH U.S. ) HONG KONG BILATERAL EXPORT CONTROL DISCUSSIONS UNDER THE 1997 AGREED MINUTE. THE AGREED MINUTE ) SIGNED BY THEN SECRETARY OF COMMERCE DALEY AND HONG KONG TRADE SECRETARY DENISE YUE ) CALLS FOR REGULAR DISCUSSIONS TO EXCHANGE INFORMATION ON EXPORT CONTROLS AND ENHANCE COOPERATION. UNDER SECRETARY OF COMMERCE FOR INDUSTRY AND SECURITY DAVID MCCORMICK and TID DIRECTOR-GENERAL RAYMOND YOUNG opened the discussions on May ¶16. Assistant secretary for export enforcement darryl w. jackson and tid deputy director general clement leung chaired the three-day talks, which included presentations on EXPORT CONTROL UPDATES. the U.S. delegation toured HONG KONG,S BOUNDARY CONTROL SYSTEMS INCLUDING LAND, PORT, AND AIRPORT. END SUMMARY.

DAY ONE - VISIT TO KWAI CHUNG CONTAINER TERMINAL.

¶2. (C) AFTER A BRIEFING AT THE U.S. CONSULATE, ASSISTANT SECRETARY FOR EXPORT ENFORCEMENT DARRYL JACKSON AND

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DELEGATION MET WITH HONG KONG CUSTOMS PORT AND MARITIME COMMAND (PMC) OFFICIALS TO DISCUSS THE HONG KONG CUSTOMS OPERATION AT THE KWAI CHUNG CONTAINER TERMINAL. PMC OFFICIALS EXPLAINED THAT A TYPICAL CARGO EXAMINATION AND CLEARANCE TOOK LESS THAN TWO DAYS. PMC OFFICIALS NOTED THAT, IN 2005, IT EXAMINED 477 CONTAINERS, INVOLVING CONTROLLED COMMODITIES SUCH AS CANNABIS, CIGARETTES, IVORY, AND COUNTERFEIT GOODS. A/S JACKSON ALSO RECEIVED A BRIEFING ON THE HONG KONG INTERNATIONAL TERMINAL'S INTEGRATED CARGO INSPECTION SYSTEM (ICIS) AT THE HUTCHISON PORT HOLDINGS-OPERATED TERMINAL.

DAY ONE - OPENING PLENARY

13. (C) TRADE AND INDUSTRY DEPARTMENT (TID) DIRECTOR-GENERAL RAYMOND YOUNG CITED THE GROWING CONCERN about WEAPONS OF MASS DESTRUCTION (WMD) AND THE NEED TO CONTINUE TO PURSUE EXPORT CONTROL AGREEMENTS WITH ITS TRADING PARTNERS. AS A SEPARATE CUSTOMS TERRITORY UNDER THE ONE COUNTRY, TWO SYSTEMS PRINCIPLE, HONG KONG WAS COMMITTED TO A STRONG EXPORT CONTROL SYSTEM. HONG KONG HAS COOPERATED CLOSELY WITH THE U.S. IN THE PAST, WITH BOTH SIDES COMMITTED TO SHARING INFORMATION. Young ALSO NOTED THE CLOSE COOPERATION tid had enjoyed WITH THE U.S. EXPORT CONTROL OFFICER (ECO) IN HONG KONG AND LOOKED FORWARD TO THE NEW ECO ARRIVING SUMMER 2006. BOTH ENFORCEMENT AND PREVENTION WERE NECESSARY COMPONENTS OF A COMPREHENSIVE EXPORT CONTROL POLICY; JOINT OUTREACH TO TWO LOCAL UNIVERSITIES WAS A GOOD EXAMPLE. HE CONCLUDED BY NOTING THE NEED TO MAINTAIN A CLOSE WORKING PARTNERSHIP WITH THE U.S.

14. (C) UNDER SECRETARY OF COMMERCE FOR INDUSTRY AND SECURITY david mccormick expressed appreciation for the candid and collegial relationship between the U.S. and Hong Kong in the area of strategic trade, allowing both sides to address issues quickly and improve export control regimes. He added that BIS was involved in several other activities aside from investigations, such as studies on how to improve the U.S. export control system, the Committee on Foreign Investments in the U.S. (CFIUS), securing the U.S. defense industrial base, and the President's Technology Leadership Agenda, which governs foreign researchers' participation in U.S.-based high-technology research. U/S MCCORMICK ALSO HIGHLIGHTED THE FACT THAT HE OFTEN USES HONG KONG AS A MODEL FOR EXPORT CONTROL WHEN SEEKING TO EXPAND EXPORT CONTROL MEASURES IN OTHER COUNTRIES.

15. (C) Young replied that cooperation has deepened since the U.S. and Hong Kong signed the bilateral export control

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agreement in 1997. Unfortunately, those wanting to evade export controls have ALSO become more sophisticated. several factors WERE NECESSARY TO MAINTAIN a healthy relationship. The first was information exchange at the annual export control discussions. The second was the need to review past and future law enforcement needs. The third was that each side must investigate independently potential violations.

16. (C) A/S JACKSON REVIEWED THE ROLE THE AGREED 1997 MINUTE HAS PLAYED IN FOSTERING LEGITIMATE TRADE OVER THE PAST TEN YEARS. JACKSON NOTED THAT WHILE THE TRADING PARTNERS WORKED TOWARDS LEGITIMATE GOALS OF GOODWILL, THERE WERE OTHERS WHO CONTINUED TO TRY TO CIRCUMVENT SUCH EFFORTS TO PURSUE THE PROLIFERATION OF WMD. THIS REQUIRED MORE EXPORT CONTROL VIGILANCE ON BOTH SIDES. A/S JACKSON STATED A COMPREHENSIVE APPROACH ON INTERNATIONAL COOPERATION AND COLLABORATION WAS IMPORTANT, BUT EQUALLY IMPORTANT WAS THE ABILITY TO ACT INDEPENDENTLY ON INVESTIGATIONS. A/S JACKSON COMMENTED THAT THE U.S. RELIED UPON HONG KONG TO INITIATE INVESTIGATIONS IN THE EXPORT CONTROL ARENA AND THIS TYPE OF PRO-ACTIVE POLICY WOULD PREEMPT VIOLATORS BEFORE THEY COMMITTED OFFENSES.

HONG KONG UPDATE AND LATEST DEVELOPMENTS

17. (C) TID DEPUTY DIRECTOR-GENERAL (DDG) LEUNG PROVIDED A BRIEF UPDATE ON MAJOR DEVELOPMENTS IN THE HONG KONG EXPORT CONTROL ARENA. HE CITED THE CURRENT LEGISLATIVE AMENDMENT BEING REVIEWED IN THE HONG KONG LEGISLATIVE COUNCIL (LEGCO) WHICH INCLUDED NEW ADDITIONS TO MULTILATERAL REGIME CONTROL LISTS. THE DRAFT LAW WAS LIKELY TO BE ENACTED BY SUMMER 2006. leung ALSO UPDATED THE U.S. ON HONG KONG EFFORTS IN THE INDUSTRIAL OUTREACH ARENA WHICH CONTINUED TO PROMOTE INDIVIDUAL AWARENESS OF POSSIBLE EXPORT CONTROL VIOLATIONS VIA SEMINARS AND BRIEFINGS TO LOCAL BUSINESSES AND ORGANIZATIONS. HE NOTED THE TID COULD ONLY INTERPRET ITS OWN LAWS AND STILL LACKED THE ABILITY TO INTERPRET U.S. LAWS AUTHORITATIVELY. HE ALSO ADDED THAT THE USE OF A CUSTOMER LIAISON GROUP FEEDBACK MECHANISM PROVIDED DURING THE LICENSING PROCESS CONTINUES TO IMPROVE THE EXPORT CONTROL

PROCESS.

18. (C) IN THE AREA OF BILATERAL COOPERATION, leung NOTED THE EMPHASIS ON TRADING PARTNERS' ABILITY TO SHARE INFORMATION AND ENSURE that HONG KONG DOES NOT UNDERCUT CONTROL REGIMES OF OTHER COUNTRIES. HE expressed APPRECIATION FOR A U.S. DEPARTMENT OF ENERGY FUNDED COMMODITY IDENTIFICATION WORKSHOP IN 2005. regarding ADDITIONAL BILATERAL COOPERATION, TECHNICAL EXPERTS FROM OTHER COUNTRIES have WORKed FOR SHORT PERIODS OF TIME AT TID, INCLUDING from THE U.S., AUSTRALIA, JAPAN, AND THE UNITED KINGDOM. AN EXPERT IN INDUSTRIAL OUTREACH WOULD BE SECONDED TO TID FROM JAPAN IN SUMMER 2006. BROAD PARTICIPATION BY HONG KONG IN SEVERAL INTERNATIONAL EVENTS were another indication of HONG KONG'S DESIRE TO CONTINUE TO MAINTAIN ITS HIGH STANDARD OF CONTROL COMPLIANCE.

#### HONG KONG STRATEGIC CONTROL SYSTEM UPDATE

19. (C) TID ASSISTANT DIRECTOR-GENERAL ERICA NG BRIEFED THE DELEGATION ON UPDATES TO HONG KONG'S STRATEGIC CONTROL SYSTEM. SHE NOTED UNDER THE "ONE COUNTRY TWO SYSTEMS" PRINCIPLE AND AS A SEPARATE CUSTOMS TERRITORY AND AUTONOMOUS TRADING ENTITY, HONG KONG CONTINUED TO COMPLY WITH HIGH INTERNATIONAL STANDARDS OF CONTROL ON STRATEGIC COMMODITIES. hong kong has a STRONG SELF-INTEREST in preserving ITS EXCELLENT REPUTATION. ng REVIEWED HONG KONG'S FOUR PillARS OF EXPORT CONTROL: LEGISLATION, LICENSING, ENFORCEMENT, AND INTERNATIONAL COOPERATION. IN THE LEGISLATIVE AREA, HONG KONG CONTINUED TO MIRROR ITS CONTROL LISTS TO INTERNATIONAL CONTROL REGIMES WITH ANNUAL AMENDMENTS. SHE UNDERScored HONG KONG'S COMMITMENT TO CONTROL LICENSING NOT ONLY ON EXPORTS, BUT ALSO IMPORTS, TRANSSHIPMENT, AND GOODS IN TRANSIT. KEY COMPONENTS ALSO INCLUDED VERIFICATION OF "NO WMD END-USE" PURPOSES AND THE "NO-UNDERCUTTING PRINCIPLE," BY WHICH HONG KONG DOES NOT ALLOW A SHIPMENT THAT WOULD VIOLATE CONTROL SYSTEMS OF TRADING PARTNERS.

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DAY TWO ) U.S. BRIEFING ON LICENSING AND REGULATORY ISSUES  
AND U.S./HONG KONG EXCHANGE ON LICENSING RELATED ISSUES

110. (C) DIRECTOR FOR OFFICE OF NATIONAL SECURITY AND TECHNOLOGY TRANSFER CONTROLS BERNARD KRITZER presented on U.S. EXPORT LICENSING TRENDS, NEW DEVELOPMENTS IN MULTI-LATERAL EXPORT CONTROL REGIMES, PLANS FOR PROPOSED RULE CHANGES, AND POSSIBLE CHANGES IN TRADE ARRANGEMENT WITH CHINA. KRITZER PROVIDED A BROAD OVERVIEW OF EXPORT LICENSING STATISTICS, INCLUDING REVIEW OF U.S. EXPORTS TO HONG KONG AND CHINA AND PROCESSING TIMES FOR LICENSING APPLICATIONS. PROCESSING TIMES FOR EXPORT LICENSE APPLICATIONS TO CHINA WERE DECREASING BECAUSE OF INCREASED EFFORTS BY BIS PERSONNEL, TRANSPARENCY WITH REGARDS TO APPLICATIONS INCLUDING ADDITIONAL DETAILS AND MORE END-USE VISITS. KRITZER ALSO DISCUSSED DETAILED APPROVAL AND DENIAL TRENDS IN LICENSING OVER THE PAST THREE YEARS. ADDITIONAL STATISTICS INCLUDED TOP 10 LICENSED EXPORTS BY VALUE.

111. (C) KRITZER BRIEFED ON EXPORT CONTROL REGIME DEVELOPMENTS, COVERING THE WASSENAAR ARRANGEMENT, AUSTRALIA GROUP, MISSILE TECHNOLOGY CONTROL REGIME, NUCLEAR SUPPLIERS GROUP, AND CHEMICAL WEAPONS CONVENTION, reviewing VARIOUS CHANGES TO EACH REGIME INCLUDING THE ADDITION OF NEW MEMBERS, POLICY HIGHLIGHTS, AND NEAR-TERM GOALS FOR EACH REGIME. as for MAJOR CHANGES TO U.S. EXPORT CONTROL POLICY, kritzer HIGHLIGHTed AN UPCOMING PROPOSED RULE CHANGE IN MAY 2006 RELATING TO THE WASSENAAR CONVENTION CATCH-ALL. DDG LEUNG APPRECIATED AN OFFER BY KRITZER TO BRIEF THE HONG KONG ECONOMIC AND TRADE OFFICE IN WASHINGTON D.C. ONCE THE RULE IS PROPOSED. DDG LEUNG STRESSED THE SCOPE AND COVERAGE OF THE RULE WOULD BE OF PARTICULAR INTEREST. KRITZER described U.S. CHANGES IN ITS EXPORT CONTROL POLICY WITH INDIA. FINALLY, KRITZER BRIEFED ON UPCOMING CHANGES TO DEEMED EXPORTS.

EXCHANGE OF LICENSING DATA

¶12. (C) DDG LEUNG PROVIDED A/S JACKSON WITH HONG KONG IMPORT/EXPORT DATA IN BOTH HARDCOPY AND ELECTRONIC FORMAT FOR THE LAST SIX MONTHS OF 2005. FOLLOWING THE EXCHANGE, ASSISTANT DIRECTOR-GENERAL NG gave A GENERAL OVERVIEW OF LICENSING TRENDS IN 2005. in conclusion, DDG LEUNG said TID WAS STRUGGLING WITH WHETHER HONG KONG SHOULD IMPLEMENT A CLASS LICENSE SYSTEM TO MOVE AWAY FROM THE CURRENT STRINGENT REQUIREMENTS FOR EACH ITEM TO BE LICENSED SEPARATELY. he PLANNED TO PROCEED CAUTIOUSLY WITH ANY PLANS TO LIBERALIZE HONG KONG'S EXPORT CONTROL POLICY AND WELCOMED COMMENTS FROM A/S JACKSON. A/S JACKSON NOTED THAT THE CURRENT SYSTEM WAS WORKING WELL, AND REITERATED THE U.S. WOULD BE AVAILABLE AT ANY TIME TO ASSIST TID WITH EXAMINING CHANGES TO ITS EXPORT CONTROL POLICY.

¶13. (C) A/S JACKSON PROVIDED DDG LEUNG WITH U.S. EXPORT LICENSE APPLICATION AND WORLD-WIDE DENIAL DATA IN BOTH HARDCOPY AND ELECTRONIC FORMAT FOR 2005 AND THE FIRST QUARTER OF 2006. A/S JACKSON NOTED SEVERAL ADDITIONS TO THE DATA, INCLUDING ADDRESSES OF CERTAIN HONG KONG BASED FIRMS FOR INVESTIGATIVE PURPOSES AND THE INCLUSION OF EXPORT CONTROL IDENTIFICATION NUMBERS. IN RESPONSE TO A QUESTION FROM LEUNG, A/S JACKSON described HIS TESTIMONY to a congressional commission, IN WHICH HE HAD affirmed that HONG KONG CONTINUED TO HAVE A ROBUST AND TRANSPARENT EXPORT CONTROL SYSTEM. a/s jackson did note that there are factions in washington, d.c. that are concerned about the security of exports to hong kong.

DAY 3 ) ENFORCEMENT AND OUTREACH ACTIVITIES EXCHANGE

¶14. (C) A/S JACKSON DISCUSSED RECENT TRENDS AND COOPERATIVE EFFORTS IN U.S. ENFORCEMENT OF EXPORT CONTROL LAWS AND REGULATIONS OVER THE PAST YEAR. THE HIGH NUMBER OF LICENSING DATA EXCHANGES WAS HELPFUL AND THE U.S. CONTINUED TO SEEK ENHANCED COOPERATION WITH HONG KONG ON SPECIFIC CASES. A/S JACKSON REITERATED HIS DESIRE TO INFORM POLICY MAKERS IN

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WASHINGTON D.C. THAT HONG KONG CONTINUED TO HAVE A ROBUST AND TRANSPARENT EXPORT CONTROL SYSTEM THAT IS EFFECTIVE AND PROACTIVE. HE ENCOURAGED TID TO CONTINUE TO PROVIDE LEADS TO THE ECO IN HONG KONG. PROLIFERATION WAS CITED AS A WORLDWIDE PROBLEM WITH GREATEST CONCERN THAT WMD COMMODITIES COULD END UP IN AREAS OF CONCERN SUCH AS IRAN. HE ALSO REITERATED THE IMPORTANCE ENFORCEMENT PLAYED AS ONE OF THE FOUR PILLARS OF HONG KONG,S EXPORT CONTROL SYSTEM.

¶15. (C) ACTING ASSISTANT DIRECTOR FOR OPERATIONS JOHN SONDERMAN PROVIDED AN OVERVIEW OF BIS ENFORCEMENT TRENDS HIGHLIGHTING STATISTICS OF CRIMINAL CONVICTIONS, IMPOSITION OF FINES, ADMINISTRATIVE PENALTIES, AND CIVIL PENALTIES AGAINST U.S. FIRMS OVER THE PAST YEAR. HE ALSO DISCUSSED BIS' CURRENT CASE INVENTORY OF 43 OPEN INVESTIGATIONS INVOLVING 35 TRANSSHIPMENTS AND 8 DIRECT SHIPMENTS TO HONG KONG. HE ALSO PROVIDED IN-DEPTH DETAIL ON TWO CASES INVOLVING LITAMOS ELECTRONICS LIMITED AND SUNFORD TRADING LIMITED, BOTH OF WHICH WERE SUSPECTED OF SHIPPING POTENTIALLY CONTROLLED ITEMS TO AREAS OF CONCERN. SONDERMAN RECOMMENDED A COORDINATED APPROACH ON BOTH CASES DETERMINE THE CONTROL STATUS OF THE ITEMS IN QUESTION, AND OFFERED TO SHARE DATA OBTAINED FROM U.S. COMPANIES. THERE ARE PLANS TO name additional companies as related to sunford and subject them to the existing denial order against sunford. SONDERMAN ALSO RAISED THE OUTSTANDING MUTUAL LEGAL ASSISTANCE AGREEMENT (MLAA) REQUEST RELATING TO SUNFORD TRADING LIMITED. DDG LEUNG REPLIED THAT THE MLAA REQUEST WAS RECEIVED IN JULY 2005 AND, ACCORDING TO HONG KONG LAW, NEEDED BEIJING'S CLEARANCE. the hkg HAD notified THE CENTRAL GOVERNMENT IMMEDIATELY. LEUNG ACKNOWLEDGED THE DELAY, BUT HONG KONG COULD NOT RESPOND UNTIL BEIJING INSTRUCTED IT TO DO SO. HE ACKNOWLEDGED THE RECENT U.S. HONG KONG POLICY ACT REPORT ALSO MENTIONED THE MLAA REQUEST AND ADDED "SOME THINGS TAKE LONGER THAN OTHERS."

¶16. (C) DDG LEUNG PROMISED that TID WOULD remain VIGOROUS IN



ITS ENFORCEMENT EFFORTS. he asked whether bis was sure that LITAMOS ELECTRONICS LIMITED was trading CONTROLLED EQUIPMENT. LEUNG WANTED TO WORK CLOSELY WITH THE U.S. to ensure LITAMOS remained unaware that IT WAS BEING INVESTIGATED. SONDERMAN replied that BIS was not sure whether litamos was trading controlled items since bis had not yet approached U.S. COMPANIES doing business WITH LITAMOS. U.S. firms, however, WERE STILL NOT ALLOWED TO SHIP U.S. ORIGIN GOODS TO THE SUSPECTED IRANIAN END-USER. DDG LEUNG OFFERED TO CONDUCT DISCREET CHECKS ON THE FIRM'S BACKGROUND AND IMPORT/EXPORT HISTORY IN AN EFFORT TO UNCOVER ITS PAST BUSINESS DEALINGS. BOTH SIDES AGREED TO WORK THROUGH THE U.S. CONSULATE'S ECO AND THROUGH THE ICE Representatives AT THE CONSULATE.

¶17. (C) according to DDG LEUNG, the HKG DID NOT HAVE THE LEGAL AUTHORITY TO LEVY ADMINISTRATIVE SANCTIONS, but Hong Kong prosecuted SUSPECT VIOLATIONS in the courts, maintaining A BALANCE OF POWERS BETWEEN THE JUDICIARY, EXECUTIVE, AND LEGISLATIVE. CITING THE JUDICIARY,S NEED TO BE BETTER INFORMED ON EXPORT CONTROLS, TID HAS BRIEFED HONG KONG JUDGES. IN THE OPERATIONAL AREA, LEUNG APPRECIATED BRIEFINGS AND DATA FROM THE U.S. AND OTHER TRADING PARTNERS ON EXPORT CONTROL. LEUNG'S GOAL WAS TO MAKE HONG KONG'S EXPORT CONTROL SYSTEM ONE IN WHICH PROLIFERATORS OR ILLICIT TRADERS WILL VIEW AS TOO COSTLY OR RISKY TO CONDUCT ILLEGAL TRANSACTIONS.

¶18. (C) A/S JACKSON PROVIDED THE FINAL BRIEF OF UPDATES ON END-USE CHECKS IN HONG KONG. A/S JACKSON DISCUSSED THE RESULTS AND TRENDS FOR END USES CHECKS IN 2005 INCLUDING BOTH PRE-LICENSE CHECKS (PLC) AND POST-SHIPMENT VERIFICATIONS (PSV). TWO FIRMS WERE RECENTLY ADDED TO THE UNVERIFIED LIST, PARRLAB AND TZH INTERNATIONAL. WHILE DISCUSSING ISSUES OBSERVED DURING END-USE CHECKS, A/S JACKSON SAID THAT COMPANIES SHOULD BE AWARE OF THE END USER. THE END USER MUST BE INCLUDED ON THE LICENSE, AND THE U.S. CONTROLLED COMMODITY SHOULD NOT BE SHIPPED TO AN HONG KONG ENTITY ITHOUT A PHYSICAL PRESENCE IN HONG KONG.

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¶19. (C) DDG LEUNG WAS APPRECIATIVE OF PRIOR NOTIFICATION BY THE U.S. OF HONG KONG COMPANIES SUSPECTED OF EXPORT CONTROL VIOLATIONS. THIS ADVANCE NOTICE REDUCED ELEMENTS OF SURPRISE. DDG LEUNG WAS ALSO GRATEFUL FOR THE U.S. PROVISION OF DATA ON END USE CHECKS AND REAFFIRMED TID SUPPORT FOR BOTH PLC AND PSC CHECKS. LEUNG REQUESTED ADDITIONAL INFORMATION ON PSV CHECKS THAT RESULTED IN THE DISCOVERY OF CONTROLLED COMMODITIES BEING SHIPPED TO HONG KONG SINCE THESE SHIPMENTS ALSO VIOLATE HONG KONG LAW. DDG LEUNG ALSO INFORMED A/S JACKSON THAT THE HONG KONG GOVERNMENT WOULD SOON PROSECUTE THE MITRON CASE.

#### CLOSING REMARKS

¶20. (C) DDG LEUNG RECONFIRMED that THE "ONE COUNTRY TWO SYSTEMS" PRINCIPLE ALLOWED HONG KONG TO ENJOY AUTONOMY and MAINTAIN ITS OWN EXPORT CONTROL LAWS, CUSTOMS PROCEDURES, ENFORCEMENT, LICENSING, AND INTERNATIONAL COOPERATION INITIATIVES. A/S JACKSON AND DELEGATION HAVE OBSERVED THIS PRINCIPLE FIRST-HAND. LEUNG WISHED THAT "SKEPTICS" OF THIS SYSTEM IN WASHINGTON WOULD JUDGE HONG KONG NOT BY THEIR PRECONCEPTIONS BUT RATHER BY HONG KONG'S ACTIONS. INTERNATIONAL COOPERATION WOULD ALSO demonstrate to OTHER TRADING PARTNERS THAT A STRONG EXPORT CONTROL SYSTEM CAN INCREASE LEGITIMATE TRADE AND DECREASE ILLICIT TRADE. FINALLY, THE ANNUAL EXCHANGE CONTINUED TO BE THE BEST WAY FOR BOTH SIDES TO EXCHANGE DATA, DISCUSS CASES, AND MAINTAIN UPDATES ON EXPORT CONTROL REGIME CHANGES.

¶21. (C) A/S JACKSON ACKNOWLEDGED HONG KONG'S EFFORTS IN ARRANGING A PRODUCTIVE SET OF MEETINGS AND WAS IMPRESSED WITH HONG KONG'S SERIOUSNESS IN SAFEGUARDING LEGITIMATE TRADE. HE EXPRESSED U.S. SUPPORT FOR COOPERATION AND ASSISTANCE TO HONG KONG BY WORKING TOGETHER TO ENFORCE EXPORT CONTROLS INCLUDING PROVIDING LEADS, DATA SHARING, AND UPDATING PROGRESS ON CASES.

122. (U) A/S JACKSON HAS CLEARED THIS CABLE.  
Cunningham